

# Toujours difficile: A French Expert's View Of Working with Japan

Interview with J. G. Machizaud,  
chairman of the Japan Committee of  
the Council of French Employers,  
by Jack Russell

Jacques G. Machizaud, chairman of the Japan Committee of the Council of French Employers (Conseil National du Patronat Français), believes agro-food, telecommunications, helicopters, development of sea products and cosmetics hold out the best prospects for French joint ventures in Japan.

Machizaud, who is honorary chairman of Roussel UCLAF Group in Japan, points out that only 1% of Japan's imports come from France. He argues that sales of French cheeses, preserves and wines should be promoted. But he adds that the French themselves must become more interested in the Japanese market.

French businessmen have only recently awakened to today's changed Japan, which Machizaud says has become an inventor of technologies and products. Observing that until recently France sold more technology to Japan than it bought, he predicts that French businessmen will soon be looking for useful technologies in Japan.

Machizaud also feels that Japanese imports are diminishing in spite of declarations that the market is being opened to foreign products. He says that the market may be open officially, but unofficial barriers remain.

The French business leader asserts that France has reacted to its trade deficit with Japan not with protectionism but by strengthening a "defensive attitude" to prevent the destruction of French industries.

**Question:** *I understand your main purpose in visiting Tokyo this time was to participate in a meeting between French and Japanese businessmen to promote industrial cooperation.*

**Machizaud:** Yes, that's right. I am co-chairman with Akio Morita, chairman of Sony Corp., of what we call the "M-2 Committee" for short. The two M's are for Machizaud and Morita. This is not an official organization but a meeting among businessmen who all speak English to save time in discussion. I brought with me seven top French businessmen and we met with top businessmen from such groups as Nissan, Showa Denko, Ajinomoto, the Bank of Japan and so forth. The topics taken up were electronics, construction projects in third countries to be carried out by French-Japanese ventures and biotechnologies and the agro-food industry.

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**Q:** *Why is there an emphasis on joint ventures?*

**Machizaud:** It is my opinion that the best way to succeed is through a joint venture because there are different customs in Japan. There is the language problem and there are barriers which may not be official but do exist. The best way to cope with these difficulties is through a Japanese associate, who can help you overcome them more quickly than if you tried to do it yourself. Your Japanese associate also can get introductions to the right officials, to the right ministries and so forth.

**Q:** *What has been your own experience with joint ventures in Japan?*

**Machizaud:** We (Roussel UCLAF Group) started with a joint venture and we continue with this friendly company. And I would say we have become very friendly. When things became difficult for



Jacques G. Machizaud, chairman of the Japan Committee of the Council of French Employers

us at times, our friendly partner helped us out. Without it, we would have closed operations after five or six years.

**Q:** *What are the best fields for French companies in joint ventures in Japan?*

**Machizaud:** Oh, there are many. For example, the agro-food industry. We need only consider yogurt. A French company in a joint venture with a Japanese company introduced yogurt into Japan 20 years ago when it was unknown here. The yogurt business is now very successful. But there are many other areas. We in France are very advanced in telecommunications, in helicopters, in the exploration of the sea and in the development of the products of the sea such as algae. And of course, cosmetics.



Jacques G. Machizaud and his co-chairman Akio Morita of Sony Corp. at the Franco-Japanese Businessmen's Committee for Industrial Cooperation held in Tokyo Oct. 1983.

*"Sooner or later French businessmen will come over here and try to find technologies which they can use."*

**Q:** Do France and Japan complement each other in technologies or are they purely competitors?

**Machizaud:** That is a difficult question to answer. But in the field that I know—pharmaceuticals—I would say we complement each other. For instance, the Japanese have a very sound knowledge of fermentation. And we French certainly have knowledge of organic chemistry.

Therefore, there is a definite possibility for exchange. But it is difficult to answer your question in other fields. If I knew of a good possibility, I would put scientists together and start a company.

Until now the balance in technological knowledge has been in France's favor, which means France sold more technology to Japan than the reverse. But this situation could change now because Japan is advancing very fast in research and in the development of its own technology. And sooner or later French businessmen will come over here and try to find technologies which they can use.

**Q:** What are the prospects for increasing French exports to Japan?

**Machizaud:** This depends, of course, on Japanese demand and on initiatives taken by our own businessmen. Prospects should be good. When you consider that French products represent only 1% of Japan's imports, then you should easily be able to double this to 2%. So we think we can certainly increase business with Japan.

**Q:** What products specifically?

**Machizaud:** Meat, for instance. I know the United States is insisting that Japan import more of its meat. I believe they

want to expand their quota by 30% over the already high level of exports. They want an increase of about 60% in the import quota for oranges. We think there are good possibilities for selling more French preserves, cheese and wine.

I would like to point out that there is an evolution in the food being eaten in this world. For instance, we French think Japanese-style food is very good. It is coming into France and it has less fat—raw fish for instance. On the other hand, traditional continental cooking has been catching on fast in Japan. Japanese eat a lot of bread now. Only a few decades ago, there was little bread eaten in Japan. This, of course, is the American influence. It brought the new nutrition to Japan. Thirty or forty years ago, there was virtually no wine drunk in Japan. Now wine is very popular. The habit of eating raw fish is taking hold in Europe. We call this "the new cuisine" in France. Japanese food is presented like a picture and it comes in small portions.

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**Q:** Do you find the Japanese market as open as you would like it to be?

**Machizaud:** The Japanese government is showing good will. But in spite of all the declarations that Japan will open its market to American and other foreign products, this in fact has not happened. Consider for a moment the statistics.

In 1982, Japan's imports were 8% less than the year before. And up to August 1983, Japanese imports were 9.5% below what they were in the same period in 1982.

**Q:** Do you anticipate that the situation will get better?

**Machizaud:** Yes, I think it will get better because I think Japan now understands that to open its market is the only remedy to its problems with the United States and France, which come from the big discrepancies in trade. This also is a time of unemployment in France and this must be taken into account by Japan.

**Q:** France has taken some protectionist moves such as the well-publicized case involving Japanese video taperecorders. Is this a problem now in Franco-Japanese trade relations?

**Machizaud:** This was a decision taken by the French government in 1982. However, the decision was canceled in April 1983. And I would like to add that this has led to an agreement with Japan which is satisfactory.

But Japan should understand that this was a sort of ringing of an alarm bell, warning that worse might come, that France or another country might take similar measures. Myself and the Employers Council believe in free exchange or free trade, as do West Germany and the United States. But even the United States has insisted upon limiting Japanese car imports. We must concern ourselves with the fact that industries could be destroyed, and when an industry is finished, it is difficult to start it up again.

**Q:** What are the possibilities for investment in Japan?

**Machizaud:** Until recently it has been difficult to make capital investments in Japan. There are percentage limitations. But it is rather easier for Japanese companies to invest in foreign companies. Sony, for instance, has been active in this in the United States, France and elsewhere. But I know of no example of a French group taking a sizeable portion of the stock of a Japanese company. But again the Japanese say they will become more liberal and perhaps there will be the possibility to make such investments.

**Q:** In your many years of involvement in Japan, have you noticed any changes in Japanese attitude?

**Machizaud:** Yes, you have to consider the Japanese mentality which has changed a little bit. When I came here, it was difficult to recruit good Japanese staff because of the lifetime employment system. Potential employees knew nothing about our company and were reluctant to work for us. We had to recruit from the middle-range and sometimes we could only get retired people. However this has changed and now we have a good staff and hire graduates from universities. Our staff knows our group. Each year we take 20 employees to visit our companies in England and France and then on the way

home we show them our beautiful plant in Mexico.

Also, my replacement as president of Roussel UCLAF Group in Japan is Mr. Hideo Kitahara, who was the former Japanese ambassador to France and who served for 23 years as a distinguished diplomat. Mr. Kitahara has given the group a greater status than ever before in Japan. I am now honorary chairman.

**Q:** *Is it correct to say that Japan is more interested in France than France is in Japan from a business point of view?*

**Machizaud:** In France, you now have such companies as Shiseido, Sony, Akai and others, totaling about a dozen. Also, practically all Japanese banks are represented in Paris. What I am trying to do is to invite more French businessmen to come to Japan. In Japan, there are more German and even Swiss businessmen than French and, much fewer French compared to the Americans. We reckon we have only about 200 French businessmen compared to 450 to 500 Germans. And there are more than 20,000 Japanese in France, about one-third of them engaged in business.

**Q:** *What do you attribute this to? Are French businessmen less interested in Japan because they find other markets easier?*

**Machizaud:** Yes, that's it. We are a little backward because for a long time we did not concern ourselves with business abroad. When we had our African colonies, it was easy to do business with them, and people thought they were doing export business.

But this was not true. When we went into the export business, we turned to the nearest countries such as Germany, Switzerland, Italy and Spain. We then went to the United States, where we found a friendly atmosphere in which to do business. And also we found Latin America, which has a similar culture to ours, easy to work in.

There are, I believe, three "economic civilizations." There is Europe and there is the North American continent, but what will become important in the future is the



regime of the Pacific. In this "economic civilization," there is the United States, particularly the West Coast with its Silicon Valley and high technology, Japan with its high technology and then Taiwan, South Korea, Singapore and Australia. We shall have to take this Pacific area into account when we are thinking toward the year 2000.

However, to answer your question, we are making efforts to create more French interest in Japan. We do know Japan because of its products, and of course its competition, and we know also Japan is becoming a rich country.

**Q:** *As I understand it, President François Mitterrand when he came to office pushed socialist programs but now has backed off somewhat. What is the situation now and has the Socialist government discouraged Japanese firms from doing business in France?*

**Machizaud:** We in business stay out of politics. But I would agree that free enterprise was not popular with the government at the beginning, though now the government realizes that without profits, without the successes of enterprises, it is impossible to rule the country.

Our Japanese friends were worried two years ago, but now I do not believe they are being deterred from going to France. At first, in our M-2 meetings, we discussed this question thoroughly, but in our recent meeting the subject was not even brought up.

*"I would not say what is happening in France, in West Germany and in Britain, is protectionism. What is happening is the strengthening of a defensive attitude."*

**Q:** *France like all industrial countries has an unemployment problem. Is this a spur to protectionism?*

**Machizaud:** In France, unemployment is not increasing but nor are the figures decreasing by much. I would not say what is happening in France, in West Germany and in Britain, is protectionism. We all support free trade. But what is happening in France is the strengthening of a defensive attitude.

**Q:** *Do you have any advice or opinions on how to promote Franco-Japanese industrial cooperation?*

**Machizaud:** On our side, we need more contacts with the Japanese and more visits to Japan. Japan is only a sort of recent interest. It was too far away, too difficult and too expensive. The French were afraid of the Japanese copying French products and patents. But now they

realize that Japan has completely changed and is now the inventor of new technologies and techniques and new products.

We must come to agreements with Japanese companies so they don't dismantle some of our own industries. However, as long as the trade deficit remains so big it is difficult for us to invite Japanese companies to manufacture in France unless they employ a number of French nationals and incorporate in their products a majority of local components. Also, the companies must be at least 51% French-owned, otherwise this would only mean disguised imports.

*"In spite of the declarations by authorities that they want to open the market, foreign imports are diminishing."*

**Q:** *What would you ask the Japanese government to do to promote economic cooperation?*

**Machizaud:** We ask the Japanese government to eliminate all trade barriers, which are sometimes more unofficial than official. It is true that officially Japan is an open market, but the non-tariff barriers remain. There has been improvement but much more is needed. And in spite of the declarations by authorities that they want to open the market, foreign imports are diminishing. Japan is a very nationalistic country, and I think that due to its traditions, its foreign imports are not sufficient compared to other countries of the world. ●

The Roussel UCLAF Group, a major producer of pharmaceuticals and chemicals, employs 17,000 persons worldwide, operates 35 plants and has 104 companies. With its agents, the group is active in 110 companies.

It produces fine chemicals for agricultural and veterinary uses, cosmetics, nutritional products, hospital supplies, perfumes and eyeglasses as well as pharmaceuticals.

The group is engaged now in research in antibiotics, analgesics, antihypertensives and genetic engineering.

The group's affiliates in Japan are Nippon Roussel KK, Roussel Medica KK and Nippon UCLAF KK. Roussel Medica distributes new drugs discovered by the group and which are manufactured in Japan by Nippon Roussel.

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